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SOURCE Hsin Chung-kuo ti Ho-tao Shih-yeh (Cooperative Enterprises of New China), published by T'ang-ti Ch'u-pen-she, Appendix No 3, pp 182-193;

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MODEL CONSTITUTION OF RURAL SUPPLY
 AND MARKETING COOPERATIVES IN CHINA

I. GENERAL PRINCIPLES

Article 1

This cooperative shall be named the _____ Hsien Supply and Marketing Cooperative; established at _____ Ts'un.

Article 2

This cooperative is a commercial federation organized by worker volunteers of the _____ Ts'un. The capital shall be provided through the purchasing of shares. It shall be managed by all the members. The purpose of the cooperative is to purchase daily commodities and producers supplies for the members at a comparatively lower price, and, at the same time, buy from the members their surplus and supplementary products, so as to eliminate the middleman's profit.

Article 3

This cooperative is an independent business unit with limited responsibility. Members assume their duties and responsibilities according to their shares.

Article 4

This cooperative participates in _____ Hsien Federation of Cooperatives as a collective body.

- 1 -

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II. BUSINESS MATTERS

Article 5

This cooperative, based on the need of the members and the plans of other higher level cooperative, shall perform the following business transactions:

1. Buy and supply the members with everyday commodities and producers' supplies.
2. Buy and distribute supplementary and handicraft products for the members.
3. Engage in the management of consumer's needs and in the transporting of goods, to step up production activities.
4. Accept orders from higher level cooperative and state-owned enterprises and assist the members in selling and buying.
5. Cooperate with the State Banks to assist cooperative members and rural peasants to obtain loans.
6. Direct and assist in matters pertaining to the culture, health, and welfare of the members.

Article 6

All matters pertaining to this cooperative shall be passed on by an assembly consisting of all the members (or a conference of delegates), and they shall be carried out according to plans approved by higher cooperatives for each quarter of each year. All purchases, exchanges, buying, and selling should be contracted for and signed by the accountant and the chairman of the Board of Directors, and all contracts shall be passed on by the board of directors.

Article 7

This cooperative shall adopt an economical budget, aimed at economizing expenditures, reducing operational costs, and expediting the flow of merchandise and capital funds. All income received from business transactions shall be handled according to the policy adopted to prevent unnecessary waste.

III. MEMBERSHIPS

Article 8

All men and women workers within this locality, except those who are deprived of their public rights, may apply for admission into the cooperative. But, members under 18 years of age may not be elected to an office, and those under 16 years of age shall not have the right to vote nor to be elected to an office.

Article 9

Members enter the cooperative on individual basis. Each individual shall pay an entrance fee and shall buy a share in the cooperative. Entrance fees are established at 1,000 yuan by the supreme cooperative organ of the state. A share shall be an aggregate sum of _____ yuan. Poor members who cannot pay for their shares at one time, shall, with the approval of the Board of Directors, pay for

- 2 -

RESTRICTED

STAT

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such shares in periodic installments. But the period of installments shall not exceed 6 months. After payment of the entrance fee and the first installment on the share, an individual acquires all the qualifications of a member, and shall be issued a certificate of membership. The certificate of membership shall not be transferable, nor shall it be loaned to others.

Article 10

Members wishing to withdraw from the cooperative shall submit notice to that effect at least one month before the end of the fiscal year. Their shares shall be returned to them within 2 months after the end of the fiscal year; any liabilities /debts/ shall be deducted from the shares; and any interest due them shall be paid according to shares. Entrance fees shall not be refunded.

Article 11

Cooperative shares shall not be transferred, nor assigned, nor be used as collateral. If a member dies, the payment on his cooperative share shall be returned or transferred to the person properly designated to take his place. When a member moves, his share shall be refunded, but his entrance fee shall not be refunded.

Article 12

The duties of membership shall be to:

1. Pay the entrance fee and cooperative share.
2. Obey the constitution and regulations of the cooperative and accept the decisions of the cooperative.
3. Watch out for the interest of the cooperative. Take care of the properties of the cooperative.
4. Solicit new members.
5. Answer the call of the cooperative and firmly participate in cooperative activities.

Article 13

The rights of membership shall include:

1. The right to enjoy cooperative prices and other advantages.
2. The right to participate in membership meetings, criticize and present suggestions to the cooperative.
3. Elect and be elected directors, supervisors, cooperative member representatives, and representatives to the higher level cooperatives.
4. The right to inspect, discuss, criticize, and advise in the management, financial matters, and the organization of the cooperative.
5. The right to enjoy all the facilities provided for culture, health, and welfare.

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Article 14

Outstanding achievements by members, upon approval by members' assembly or delegates' conferences, shall be given honorary or material awards. Members violating the constitution, bylaws or other decisions, shall be penalized, criticized, and warned. The special privileges and treatment of such a member shall cease at a specified time, and he may be separated from the cooperative.

Membership separation shall be passed on by the members' assembly or by the delegates' conferences. However, separation may be effected by the Board of Directors if conditions warrant it, and the decision shall then be reported to the assembly or to the delegates' conference for concurrence.

IV. ORGANIZATION

Article 15

The members' assembly, organized by the entire membership, is the supreme organ of the cooperative. If, because of the large number of members, and the great distance between them, it is difficult to assemble all members for a meeting, a delegates' conference shall be held, and it shall perform the duties of a members' assembly. Membership delegates shall be elected directly by the members. The total number of delegates and the method of election shall be approved by a higher level cooperative. Delegates shall serve a term of one year, and may be re-elected.

Article 16

The duties and functions of a members' assembly or delegates' conference shall include the following:

1. Approve changes in the constitution wherever such changes shall pertain to the dissolution of this cooperative or to the consolidation of this cooperative with another cooperative.
2. Elect or remove directors and delegates who participate in higher level cooperative meetings.
3. Investigate and pass on business transactions, and submit plans and estimates.
4. Investigate and pass on the reports and final estimates of the board of directors.
5. Pass on proposals for the increasing the aggregate cooperative share funds, surplus funds, and funds for payment of injury.
6. Decide on the establishment of and length of tenure of the various units of the cooperatives, purchase or sell the cooperative's products, and negotiate important contracts.
7. Investigate and pass on penal provisions as applied to directors, etc.
8. Pass on order of separation of members, or order of awards.
9. Discuss and decide other important problems.

- 4 -

RESTRICTED

STAT

RESTRICTEDArticle 17

The Board of Directors shall call a members' (or delegates') assembly every 3 months. Whenever the following conditions exist, a special meeting of the members or delegates may be called:

1. The Board of Directors deems it necessary.
2. The Supervisory Board deems it necessary.
3. At the request of one fifth of the members or one third of the delegates.
4. At the direction of a higher level cooperative.

Upon receiving an above-mentioned order or request, the Board of Directors shall call a members' (or a delegates') assembly within 10 days. If a meeting is not held within this period, then the Supervisory Board or members of the co-operatives may request a meeting through a higher level cooperative.

Article 18

A members' assembly (or delegates' conference) shall be held with at least two thirds of the members present, and any decisions made shall be approved by at least 50 percent of those present. The records of the assembly shall be signed by the executive body and shall be kept with other books signed by the assembly. The decisions reached shall be submitted to a higher level cooperative to be documented.

Article 19

The Board of Directors shall be the administrative organ of the cooperative. The members' assembly (or delegates' conference) shall elect from 5 to 13 directors, including a chairman and one or two vice-chairmen. They shall serve a term of one year and may be re-elected.

Article 20

The duties and functions of the Board of Directors include the following:

1. To administer decisions reached by the members' assembly (or delegates' conference) and the directives from a higher level cooperative.
2. To revise plans for the recruiting of new members and the promotion of business matter for the cooperative, and submit same for ratification by the members' assembly (or delegates' conference); after which they must be approved by a higher level cooperative.
3. To sign outside contracts for the cooperative.
4. To educate the members and the public and organize membership participation in public activities.
5. To appoint or remove a chairman and other personnel for the cooperative.
6. To administer other matters pertaining to the organization, business affairs, or financial matters of the cooperative. The Board of Directors shall adhere strictly to the policy of reporting and on a specified date present to the members' assembly (or delegates' conference) matter pertaining to the business affairs finance, and organization of the cooperative.

- 5 -

RESTRICTED

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Article 21

The Board of Directors shall be responsible for the conduct of business affairs and the protection of cooperative property. Upon discovery of evasion of duties or malpractices which might result in unnecessary loss, the responsible persons shall bear the consequences according to the law.

Article 22

The Board of Directors shall meet at least once a month, and, if necessary, a special meeting shall be called by the chairman of the Board of Directors. Members of the Supervisory Board and representatives of the membership shall be invited to the Board of Directors' meeting, but they shall not have the right to make decisions.

Article 23

The Board of Supervisors shall be the supervisory organ of the cooperative. It shall represent the entire membership in supervising and inspecting the work of the Board of Directors. Five to nine supervisors shall be elected by the members' assembly (or delegates' conference) for a term of one year and they may be re-elected.

Article 24

The duties and functions of the Board of Supervisors include the following:

1. To supervise the work of the Board of Directors in the administration of decisions passed on by the assembly and directives received from higher level cooperatives and from the government.
2. To supervise the inspection of cooperative business affairs, and financial accounts.
3. To supervise the work of the Board of Directors and other personnel of the cooperatives.
4. To accept suggestions from the members and present them to the Board of Directors for investigation or consideration.
5. To attend the Board of Directors meeting.
6. Upon discovery or violation of duties or malpractices by the Board of Directors, the Board of Supervisors shall request the Board of Directors to call a special meeting of the members (or delegates), and shall make a report immediately to a higher level cooperative and request its solution of the problem.

Article 25

The Board of Supervisors shall meet once a month, but if necessary shall call special meetings. Decisions reached at the meetings shall be communicated in writing to the Board of Directors and a higher cooperative. If within 10 days the Board of Directors do not indicate disapproval of the decisions, the decisions shall be enforced.

Directors currently in office, or those retired less than one year, or their next of kin, or close relatives, and other officials of the cooperative, shall not be eligible to serve as supervisors.

- 6 -

RESTRICTED

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Article 26

Meetings of the Board of Supervisors and Board of Directors shall be held with at least two thirds of the members present, and any decisions shall be reached by majority vote. If the Board of Supervisors and the Board of Directors shall disagree on any decision, both of them shall have the right to record their view in the minutes of the meeting.

V. CAPITAL FUNDS AND ASSETS

Article 27

The sources of capital funds include: (1) membership entrance fees, (2) membership shares, (3) reserve funds, and (4) other income.

Article 28

The fiscal year of this cooperative shall be 1 January to 31 December. At the end of the fiscal year, the Board of Directors shall prepare a report of the year's operation, a financial responsibility chart, a profit-and-loss statement, and a table listing all the properties, plans, and estimates for the next fiscal year. These shall be submitted to the Board of Supervisors after which they shall be submitted to the members' assembly (or delegates' conference) for discussion and ratification. They shall also be reported to a higher level cooperative to be recorded. At the end of a quarter, a final report of accounts shall be made to the members, and shall be reported to a higher level cooperative.

Article 29

If, at the end of a fiscal year there is a surplus, then it shall be registered as surplus funds in accordance with regulations mentioned above. It shall also be submitted to the members' assembly (or delegates' conference) for ratification, and then reported to a higher level cooperative for approval.

1. The accumulation of special funds shall be not less than 60 percent of the reserves. They shall be used to expand the business of the cooperative and to pay damages resulting from losses.

2. Welfare funds shall not exceed 10 percent of the reserves. They shall be used for cultural, recreational, and health and medical facilities for the members.

3. Ten percent of the special funds shall be given to the higher cooperative.

4. Five percent of the educational funds shall be devoted to the training and education of cadres and cooperative personnel as established by a higher cooperative.

5. The interest members receive from cooperative shares shall not exceed 10 percent. Reward funds for workers and cooperative members shall be prepared in a draft copy by the Board of Directors through democratic deliberation, and approved by the members' assembly.

- 7 -

RESTRICTED

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VI. DISSOLUTION OF COOPERATIVE

Article 30

If this cooperative finds itself in one of the following conditions, upon the ratification of the members assembly and the approval of a higher cooperative, it shall cease all operation and shall be dissolved. The conditions include: (1) insufficient number of members, (2) consolidation with another cooperative, and (3) unable to continue operation because of business failure.

Article 31

After this cooperative has decided on dissolution, the members' assembly (or delegates' conference) shall elect a liquidation committee composed of three to five men to consolidate all debts and obligations. If losses occurred, they shall be paid from the reserve funds, and if the reserve funds are insufficient, then the losses shall be paid from the share funds. Surplus funds, other than reserve funds, welfare funds, and funds appropriated for the higher level cooperative, may not be distributed. The remaining funds shall be distributed according to regulations, upon ratification by the members' assembly and approved by a higher level cooperative.

VII. BYLAWS

Article 32

This constitution has been ratified by the members' assembly (or delegates' conference), corrected, and registered with the government before adoption.

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- 8 -

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